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S E C R E T STATE 125496

E.O. 12958: DECL: 11/20/2028

TAGS: [KNNP](#) [MNUC](#) [PARM](#) [IR](#)

SUBJECT: JOINT DEMARCHE WITH EUROPEAN LIKEMINDED ON IRAN

REF: A. STATE 125339

[B](#). STATE 125441

[C](#). BUCK - SAINT-ANDRE EMAIL 11/21/08

[D](#). STATE 96067

Classified By: EUR/PRA OD Anita Friedt, reasons 1.4(b) and (d)

[1](#). (U) This is an action request. Please see paragraphs 5-6.

[2](#). (SBU) OBJECTIVE: To participate in a joint demarche with France, Germany, Italy, and the United Kingdom to the Government of Switzerland to prompt its implementation of national sanctions measures on Iran.

[3](#). (SBU) BACKGROUND: Since July 2008, the United States has been engaged with France, Germany, and the United Kingdom in an effort to prompt the implementation of the strongest possible national sanctions measures on Iran in response to its noncompliance with its international obligations. This effort was motivated in part by the resistance of Russia and China to additional UN Security Council sanctions. Our goal has been two-fold: 1) to assemble a "menu of options" for national measures that could be pursued by likeminded states; and, 2) to use these options to prompt other states to take action against Iran in order to create the greatest possible pressure on Iran. Italy joined the group in October 2008 and there are now plans to conduct outreach to Canada, Australia, Japan, the Netherlands, and Denmark starting on 12 December [2008](#).

[4](#). (SBU) BACKGROUND CONT: In furtherance of our overall objectives, the United States has agreed to approach Switzerland as part of a joint demarche with the UK, Italy, France and Germany to convey views on measures we are asking Switzerland to take to prevent Iran's access to the international financial sector, insurance and re-insurance, oil/gas business relationships and relevant technology, and sensitive, dual-use items. These measures and points ) provided below and in REFS A and B ) have been agreed upon by the likeminded group, which has indicated interest in doing so the week of 24 November 2008.

[5](#). (SBU) ACTION REQUEST: Using the background in paragraphs 3-4 and points contained in REFS A and B, Post is requested to conduct a joint demarche to the Government of Switzerland at the highest appropriate levels. Washington defers to Post with respect to the logistics of this demarche and coordination with French, German, Italian, and UK Posts in Bern; Washington, however, concurs with Post suggestion in REF C that one of the European likeminded would be best suited to schedule the meeting. In conveying this demarche, Post should underscore the key points provided in paragraph 7 and provide copies of the non-papers provided in paragraphs 8-9. If push-back is received regarding this outreach to Switzerland while the European Union continues to develop its overall positions, Post should underscore that we are reaching out to countries around the world to encourage the actions recommended herein. Post should also note that the EU has taken many steps exceeding what is required by UNSCRs and that we would welcome Switzerland doing the same. While the EU's internal deliberations are of interest, we strongly encourage all states ) in their national capacities ) to

take these steps.

¶6. (S) ACTION REQUEST CONT: Separately, Post is requested to re-engage with Swiss interlocutors with respect to the issue of Swiss-based, Sweden-owned firm Colenco's assistance to Iran in the design of a nuclear reactor in Iran (see REF D for details). Post should note that while French, German, and UK counterparts have been briefed on this activity and have engaged separately with the Government of Switzerland, clearance for this information with the Government of Italy has not been authorized by its originators, though a request is pending.

¶7. (SBU) KEY POINTS:

-- Iran's nuclear program represents a serious threat to Europe, the region, and the world. We should not underestimate Iran's nuclear program, all the more since Iran is making steady progress.

-- The most recent report by the IAEA, issued in November 2008, was worrying and demonstrated how uncooperative Iran is being with the IAEA. The report confirmed that Iran had failed to suspend enrichment-related activities and had failed to answer questions on studies with possible military dimensions.

-- 2009 will be a crucial year. The key is to maintain a focus on the dual-track strategy to confront Iran with a real choice between confrontation and cooperation.

-- The dual-track strategy requires the UN, Europe and all parties to keep sending strong unambiguous signals in terms of new sanctions, in order to maintain the credibility of our insistence that Iran needs to change its course.

-- We also must demonstrate that the dual track approach is the right one. We hope that Iran will engage actively and credibly, and accept the P5+1 offer made on 14 June 2008, which was generous. But, the pressure track will remain important if Iran is to weigh the costs and benefits of the situation.

-- What remains missing is pressure sufficient to change Iran's strategic calculus. If we do not bring about a change in Iranian behavior, we will be faced with an ever-increasing threat. If we fail to use the full range of diplomatic tools at our disposal, we could be left with the undesirable choice between acquiescence or military action.

-- That means strong public messaging and a credible sanctions track. It is imperative that we not send the wrong signal to the regime that it is business as usual. Tehran must understand that if they do not change their policies, they will face further isolation and that uncooperative behavior will not be rewarded.

-- Therefore, we must make every effort to support the UN track. The EU will be reviewing existing asset freeze and visa ban lists. We (France, Germany, Italy, the United Kingdom, and the United States) are also working on co-ordinated national measures. We need to support the shared aims of the international community in any way we can. We appreciate your support in these efforts and have several non-papers to provide you in areas for further cooperation.

END KEY POINTS

¶8. (SBU) NON-PAPER ON CONVENTIONAL ENERGY RELATIONSHIPS

-- Major new deals with Iran, especially those involving investment in Iran's oil and gas sectors, undermine global efforts to compel Iran's compliance with its international obligations.

-- Such deals suggest to the Iranian regime that the international community is willing to take a "business as usual" approach with respect to its relations with Iran,

despite Iran's continuing pursuit of a nuclear weapons capability and failure to cooperate fully with the International Atomic Energy Agency (IAEA).

-- They also undermine the P5 1's June 2008 offer of enhanced economic and energy engagement as an inducement for Iranian compliance, impeding efforts to achieve a diplomatic solution to international concerns.

-- Companies should ask themselves whether they want to do business with a country already under sanctions from three UNSC Chapter 7 resolutions, sanctions that were reaffirmed by the UN Security Council on 27 September 2008 with the unanimous adoption of UNSCR 1835.

-- The business and reputational risk presented by engaging in such deals with Iran is significant, as a result of its defiance of international normative standards of behavior. Iran's credit risk rating has gone up, and many banks have stopped issuing letters of credit to companies seeking to do business with Iran.

-- We encourage your government to discourage domestic firms from entering into new energy investments with Iran.

END NON-PAPER

#### 19. (SBU) NON-PAPER ON IRAN'S PURSUIT OF URANIUM RESOURCES

-- As a consequence of its geology, Iran,s reported indigenous uranium reserves are insufficient to support its current nuclear power reactor program for a sustained period of time.

-- The IAEA's report of 26 May 2008 indicates that over two-thirds of Iran's available uranium yellowcake has been processed at its Uranium Conversion Facility in Esfahan. Calculations based on Iran's rate of uranium conversion thus far suggest that Iran will run out of yellowcake in early 12009.

-- Iran could soon begin, or may have already begun, to look for outside suppliers of uranium to build up its stockpile of uranium.

-- Under OP 3 of UNSC resolution 1737 and OP8 of UNSC resolution 1803, states must prevent the export of specified items that could contribute to Iran,s enrichment-related, reprocessing or heavy water related activities, as described in S/2006/814, including uranium (unless low enriched, contained in fuel rods, and for a light water reactor). Given Iran,s publicly stated intention to pursue its enrichment-related activities, we believe it is critically important that the world's uranium suppliers prevent all/all exports of uranium to Iran unless contained in fuel rods and for an established light-water reactor.

-- Moreover, Part 1, paragraph 10 of the NSG Guidelines now call for the suspension of all nuclear cooperation with a state that is found by the IAEA Board of Governors to be in noncompliance with its IAEA Safeguards Agreement.

-- The Non-proliferation Principle included in paragraph 10 of Part 1 of the NSG Guidelines allows suppliers to make a subjective determination that, notwithstanding all other provisions of the guidelines, transfers would not contribute to the proliferation of nuclear weapons or other nuclear explosive devices.

-- Extreme vigilance in dealing with Iran and its nuclear program is necessary given the requirements of the UN Security Council and the significant threat Iran presents to international peace and security. States, especially advanced nuclear countries, should not facilitate Iran's nuclear ambitions until all concerns regarding its intentions have been resolved and confidence in the exclusively peaceful nature of its program has been established.

END NON-PAPER

¶10. (SBU) Post is requested to report any substantive response by 1 December 2008. Richard Nephew (ISN/RA, 202-647-7680, NephewRM@state.sgov.gov) is the Department's POC for this activity.

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